IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1943.

Nos. 54, 55

THE MERCOID CORPORATION,
Petitioner,

vs.

MID-CONTINENT INVESTMENT CO., ET AL.,
Respondents.

PETITION FOR REHEARING.

BRIEF IN SUPPORT OF PETITION FOR REHEARING.

MOTION FOR ORDER TO STAY MANDATE.

RICHARD L. JOHNSTON,
Attorney for Respondent, Mid-Continent Investment Company.

Of Counsel:
RICHARD SPENCER,
LLOYD C. ROOT,
CASPER W. OOMS.

THE DUNTHORP WARREN PRINTING COMPANY, 310 WEST JACKSON, CHICAGO

TABLE OF CONTENTS.

	PAGE
Petition for Rehearing	1
Brief in Support of Petition for Rehearing	6
First Ground: Violation of Anti-Trust Laws	6
Second Ground: Public Policy as it Affects the Doctrine of Res Adjudicata	10
Third Ground: The Counterclaim	14
Fourth Ground: The Incompatibility of the Decision With the Doctrine of Contributory Tort Feasors as Applied to Other Phases of the Law	15
Motion for Order to Stay Mandate	22

TABLE OF AUTHORITIES CITED.

B. B. Chemical Co. v. Ellis, 314 U. S. 495 17
Beasley v. Texas & Pacific Ry. Co., 191 U. S. 492, 497. 11
Carbice Corp v. American Patents Corp., 283 U. S. 27 ..2, 16
Cromwell v. County of Sac, 94 U. S. 351 12
Harrisonville v. Dickey Clay Co., 289 U. S. 334, 338 ...2, 11
Leeds & Catlin Co. v. Victor Talking Machine Co. (No. 2), 213 U. S. 325 19
Leitch Mfg. Co. v. Barber Co., 302 U. S. 458 .....2, 16
Morton Salt Co. v. G. S. Suppiger Co., 314 U. S. 488 ..12, 17
Motion Picture Co. v. Universal Film Co., 243 U. S. 502 17
Smith v. Mid-Continent, 106 F. (2d) 622 12
Sola Electric Co. v. Jefferson Electric Co., 317 U. S. 173 12
Standard Oil of New Jersey v. United States, 221 U. S. 1; 31 S. Ct. 502; 55 L. Ed. 619 ..... 2, 8
United States v. Morgan, 307 U. S. 183, 194 11
Virginian Ry. Co. v. System Federation No. 40, 300 U. S. 515, 552 11
Restatement of Torts, Chapter 35, Sec. 738 (1939) 20
Restatement of Torts, Volume IV, Chapter 44, Sec. 876(b) (1939) 5, 16
Title 28, § 41, U. S. C. 18
Title 35, § 67, U. S. C. 18
Title 35, § 70, U. S. C. 18

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1943.

Nos. 54, 55

THE MERCOID CORPORATION,

Petitioner,

vs.

MID-CONTINENT INVESTMENT COMPANY

AND

MINNEAPOLIS-HONEYWELL REGULATOR COMPANY,

Respondents.

PETITION OF THE MID-CONTINENT INVESTMENT COMPANY FOR REHEARING AND BRIEF IN SUPPORT THEREOF.

PETITION FOR REHEARING.

To the Honorable, the Judges of the United States Supreme Court:

The Mid-Continent Investment Company, one of the respondents in cases Nos. 54 and 55, respectfully petitions this Court that said cases may be reheard and reconsidered on the following grounds:

1. The majority opinion of the Court indicates that Mid-Continent violated the Anti-Trust Laws but in so

doing fails to distinguish between the conduct of Mid-Continent and that of Honeywell. In the absence of conspiracy, Honeywell's conduct cannot be imputed to Mid-Continent and *the record shows no conspiracy.* The doctrine of the *Carbice*[1] and *Leitch*[2] cases does not rest on the Anti-Trust Laws but on a strict interpretation of the Patent Laws. If what Mid-Continent did was outside the scope of the Patent Laws and subject to the general rule of contracts—and if it was a restraint—the Court should determine whether the restraint was reasonable or unreasonable. *Standard Oil of New Jersey* v. *United States*, 221 U. S. 1; 31 S. Ct. 502; 55 L. Ed. 619. The statement in the opinion (page 5),

> "But for the patent such restraint on trade would plainly run afoul of the Anti-Trust Laws"

would seem to indicate that any departure from the Patent Laws immediately becomes a violation of the Anti-Trust Laws without regard to the "rule of reason." The opinion specifies no statute which has been transgressed except to state (pages 7 and 8) that Mercoid's counterclaim was based on Section 4 of the Clayton Act, yet Section 4 of the Clayton Act is confined specifically to injury by

> "reason of anything forbidden in the Anti-Trust Laws";

hence, in order to find a violation of Section 4 of the Clayton Act it is also necessary to find a violation of some other section of the Anti-Trust Laws.

2. The public interest which the Court regards as a reason for not applying the doctrine of *res adjudicata* does not seem to be of such moment as to prevent the recovery of damages even though it were such that the Court would not issue an injunction. *Harrisonville* v. *Dickey Clay Co.*, 289 U. S. 334. Moreover, if Mid-Continent did not violate

1. *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27.
2. *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458.

the Anti-Trust Laws, then there is no sufficient reason whatsoever for not applying the doctrine of *res adjudicata.*

3. The Court's disposition of the counterclaim requires clarification because it raises uncertainties which it would seem will merely result in extensive further litigation rather than a final disposition of the case. It would appear that Rule 38 of the Rules of Civil Procedure, referred to by the Court, would govern and that in view of this rule the right to trial by jury has been waived. If so, it is believed the Court should have said so in order to avoid any misinterpretation by the District Court. Further, it would appear that the District Court's original finding that there was no damage would make the amount of damage to be determined by a jury a moot question.

Additionally, it is believed—if the foregoing reasons do not dispose of the case—then this Court should have considered the question of Mercoid's own conduct as a bar to recovery under the counterclaim, or at least should have instructed the District Court to consider it. We refer particularly to the notices used by Mercoid in its advertising which this Court apparently condemned when similar notices were employed on the part of Honeywell. A typical example of such notices is given in the record, and we quote:

> "Controls shown in this bulletin are covered by patents numbers 1,521,638, 1,598,874, 1,640,869, 1,644,935, 1,658,013, 1,687,842, 1,705,989, 1,734,015, 1,734,016, 1,752,957, 1,757,436, 1,817,634, 1,834,288; others pending.
>
> **"The right to use, for domestic or industrial heating, the oil burner system covered by patent No. 1,473,120 is granted ONLY* when MERCOID* pressure or low water controls are used in connection therewith." (R. 292, 486, Plf. Ex. 21.)**

It would seem to be inconsistent to condemn (opinion page 2) such notices when employed by one of the parties but to

* (Emphasis ours.)

condone them when employed by another party in a counterclaim.

4. The doctrine of misuse as applied in the decision of the Court is incompatible with the doctrine of contributory tort feasors as applied in all other branches of the law of torts.

What did Mid-Continent do that might conceivably have been a misuse of the patent? It did only three things: (1) It granted a license under the whole patent to one who did not—but could have—practiced the whole invention, (2) it brought suit against a joint tort feasor (Mercoid) who it thought was assisting and encouraging others to infringe the patent, and (3) it gave notice to others of its rights under the patent—without which notice no recovery could have been had. If the law of contributory tort feasors applied to patents, Mid-Continent had the legal right to waive any cause of action it might have had against a joint tort feasor by granting a license. It also had the legal right, if the law of contributory tort feasors applied to patents, to bring suit to enjoin the tort and recover damages. If there were a right to bring suit it necessarily follows that there was not only a right but a duty to give notice.

A patent is a right to exclude and its enforcement includes the power to enjoin following "the course and principles of courts of equity." 35 U. S. C. § 70. The Court "assumes for the purpose of this case that Mercoid is a contributory infringer" but it says in effect that an injunction will not issue to enjoin the sale of less than the whole of the patented combination and a patent owner who attempts to enjoin such sale by bringing an action for contributory infringement is misusing his patent. The net effect of this holding is to leave the doctrine of contributory infringement still with us but shorn of the power of injunction.

We fail to see, however, why "the stigma of misuse" should be attached to a misinterpretation of the scope of an action for contributory infringement nor do we see why a patent owner should not be permitted to recover damages as against a contributory infringer even though an injunction will not issue. Furthermore, the "course and principles of courts of equity" as applied in the substantive law of contributory joint tort feasors (*Restatement of Torts*, Volume IV, Chapter 44, § 876 (b) (1939)), seems to require that the joint tort feasor be enjoined from giving assistance and encouragement to the direct infringer. Mercoid in this case should at least be enjoined from selling its special devices with "*wiring diagrams*" showing how to install the infringing combination.

The public interest demands that the issues involved be reconsidered and re-argued.

MID-CONTINENT INVESTMENT COMPANY.
By RICHARD L. JOHNSTON,
Attorney for Mid-Continent Investment Company,
135 South La Salle Street,
Chicago, Illinois.

Of Counsel:

RICHARD SPENCER,
LLOYD C. ROOT,
CASPER W. OOMS.

It is hereby certified that the foregoing Petition for Rehearing is presented in good faith and not for the purpose of delay.

RICHARD L. JOHNSTON,
Attorney for Mid-Continent Investment Company.

BRIEF IN SUPPORT OF PETITION FOR REHEARING.

First Ground.

Violation of Anti-Trust Laws.

Although the "violation of the Anti-Trust Laws" is referred to several times in the majority opinion, there appears to be no definite holding as to whether or not Mid-Continent has violated the Anti-Trust Laws. Moreover, the Court has failed to make any distinction between the actions of Mid-Continent and those of Honeywell in this regard.

Mid-Continent, the patent owner, granted a license to Honeywell which, in effect, was a waiver of Mid-Continent's right to bring suits for patent infringements against Honeywell or its customers. The terms of the license agreement are clear and leave no doubt that the license was granted under the *whole* patent.

As the record shows, Mid-Continent had no control over what Honeywell did with its rights granted under the license, nor did Honeywell have any control over Mid-Continent's reserved right to bring suits against infringers. Honeywell licensed one of its competitors and offered licenses to others, including Mercoid, which were in effect waivers of Honeywell's rights to bring suit on the patent. Both Mid-Continent and Honeywell, acting independently, gave notice to would-be infringers of what each considered to be its rights under the patent. Honeywell also gave notices to its customers that the purchase of its controls especially designed for this purpose entitled the user to a license when employed in the combination covered by the patent. Mid-Continent had no control over any notices

given by Honeywell. Mid-Continent brought two separate suits against direct infringers (Schermes and Smith), which were successful, and another suit against an indirect infringer, Mercoid, which is this case. Mid-Continent does not sell any part of the system. Both Honeywell and Mercoid sell elements of the system especially designed for that purpose.

If the opinion holds that Mid-Continent violated the Anti-Trust Laws, it is difficult to see wherein this violation occurs. It must occur either in (1) the waiver by Mid-Continent of its right to sue Honeywell and its customers, or (2) the bringing of a suit against an indirect infringer, Mercoid, when there was no right to bring such a suit because of a misinterpretation of the doctrine of contributory infringement, or (3) the giving of notice.

As we interpret this Court's decision, the holding was, in effect, that there can be no recovery by a patent owner against one who sells less than the whole of the thing claimed in the patent and that any attempt to obtain such a recovery is beyond the scope of the Patent Laws. When the patentee grants licenses beyond the scope of the Patent Laws his actions fall in the field of general contract law and therefore must be examined to determine whether or not he has violated the Anti-Trust Laws. We fail to see, however, in what manner the misinterpretation of the Patent Laws by bringing suit when, in fact, there was no cause of action, as now held by this Court, could in itself be considered to be a violation of the Anti-Trust Laws, nor do we see in what respect the waiver of a right of action against someone else, namely, the license to Honeywell, could be considered to be a violation of the Anti-Trust Laws. Furthermore, the notices given by Mid-Continent to would-be infringers seem to be perfectly justified because those would-be infringers, for the most part,

were direct infringers, with the exception of Mercoid, and the notices were given in good faith inasmuch as the Patent Statutes require notice in order to recover damages.

The statement in the opinion (page 5), "But for the patent such restraint on trade would plainly run afoul of the Anti-Trust Laws" would seem to indicate that any departure from the Patent Laws immediately becomes a violation of the Anti-Trust Laws, without regard to the "rule of reason" as to whether the restraint on trade is reasonable or unreasonable.

Nowhere in the opinion has there been an examination into the unreasonableness of Mid-Continent's acts; yet both the common law and the Sherman and Clayton Acts require an inquiry into this phase before illegality can be shown. *Standard Oil Company of New Jersey* v. *United States*, 221 U. S. 1; 31 Sup. Ct. 502; 55 L. Ed, 619.

The opinion specifies no statute which has been transgressed except to state (pages 7 and 8) that Mercoid's counterclaim was based on Section 4 of the Clayton Act, yet Section 4 of the Clayton Act is confined specifically to injury by "reason of anything forbidden in the Anti-Trust Laws"; hence, in order to find a violation of Section 4 of the Clayton Act it is also necessary to find a violation of some other section of the Anti-Trust Laws.

The license granted by Mid-Continent to Honeywell was unrestricted, contained no restraints as to price and, hence, could not have violated Section 2 of the Clayton Act, nor did it contain any restriction that the licensee purchase supplies from the licensor, or that the licensee should not deal in the goods of some other person and, hence, could not have violated Section 3 of the Clayton Act. It is difficult to see, moreover, how the mere waiver of a right to sue could violate Sections 1 or 2 of the Sherman Act unless it could be shown that there were some other con-

certed action and conspiracy between the parties, and the record fails to show such conspiracy. What Mid-Continent did it did for the purpose of obtaining a royalty or compensation for the use of its patent. What Honeywell did was done entirely independently of Mid-Continent and was beyond Mid-Continent's control unless it could be said that the waiver of the right to sue given by Mid-Continent to Honeywell was in itself a conspiracy. We fail to see how a waiver of a right to sue can be called a restraint or a restraint of trade. If it is, then in any event the Court should inquire into the reasonableness of the restraint.

The Court seemed to place great reliance on the fact that the royalty payments made by Honeywell to Mid-Continent were based upon the devices which were sold for use in the combination covered by the patent. Honeywell's president, Mr. Sweatt, testified that these devices had no other use (R. 428) and therefore it would seem to be quite proper to base the royalty on such devices. The royalty payments, however, are entirely a matter between the licensor and the licensee. Honeywell could have gone into the business of installing the whole system and still could have based its royalty on the essential holdfire control element. The royalty could have been a paid up royalty, as is quite customary in patent licenses, so that there would have been no way of determining what part of the royalty applied to each installation. In short, the whole question of what the royalty is based upon seems to be immaterial and irrelevant to the issue. The yardstick for measuring royalties has nothing to do with the determination of the question of whether there was a restraint of trade. We believe, therefore, that the opinion of the Court which stresses the fact that the royalty was based on an element of the combination is apt to be misleading and to

bring about a new series of litigation on the question of what is a proper measure of royalty.

Second Ground.

Public Policy as It Affects the Doctrine of Res Adjudicata.

The majority of the Court held that the doctrine of *res adjudicata* would not be applied in this case because of public policy. The question of public policy as a bar to the enforcement of the doctrine of *res adjudicata* was not raised in the briefs of the parties, nor were the decisions relied upon by the Court cited therein; hence, it is believed that Mid-Continent should be given a chance to argue this point.

If Mid-Continent did or attempted to do something it was not entitled to do under the Patent Laws, which act or acts, however, did not amount to a violation of the Anti-Trust Laws, then it would seem that there is no reason for not invoking the doctrine of *res adjudicata* against Mercoid because the mere misinterpretation of the Patent Laws is not of such moment as to be against public policy.

The cases cited by the Court clearly support the point that an injunction will not issue where the issuance of such injunction would be against public policy. But none of the cases support the point that public policy can be a bar to the application of the doctrine of *res adjudicata*.

The general rule appears to be,

> "The plea of *res adjudicata* applies, except in special cases, not only to points upon which the court is actually required by the parties to pronounce a judgment but to every point which properly belonged to the subject of litigation and which the parties exercising reasonable diligence, might have brought forward at the time." (Jones on Evidence, § 604, Vol. II, page 1148 (1938) and cases cited therein.)

In the cases cited by the Court there was always a very

substantial public interest which made it desirable as a matter of public policy for the Court to refuse to grant an injunction. *Beasley* v. *Texas & Pacific Ry. Co.*, 191 U. S. 492, 497, was a case in which the plaintiff sought specific performance of a covenant in a contract by a railroad not to build a railroad station on certain land. The court held it was contrary to public interest to enforce the contract and enjoin the railroad from building the station, particularly since the railroad had been ordered to build the station by a commission set up by the constitution of the state.

Virginian Ry. Co. v. *System Federation No. 40*, 300 U. S. 515, 552, involved the settlement of a labor controversy in a railroad case which obviously was a matter of great public interest. In this case there was a violation of the statutes.

The case of *Harrisonville* v. *Dickey Clay Co.*, 289 U. S. 334, 338, is an interesting case because there the court, although refusing to grant an injunction on the ground of public policy, nevertheless, gave a judgment in favor of the plaintiff for damages caused by the pollution of plaintiff's land by defendant's sewage disposal plant. Since Mid-Continent is not a competitor of Honeywell or Mercoid and is primarily interested in this suit from a financial standpoint, as was the landowner in the Harrisonville case, it would seem that this case is good authority for awarding damages to Mid-Continent for past infringements by Mercoid, even though Mercoid will not be enjoined from indirectly infringing the patent.

The case of *United States* v. *Morgan*, 307 U. S. 183, 194, cited by the Court was one involving the disposition of funds impounded in litigation over the validity of an order of the Secretary of Agriculture. Plaintiff sought restitution of the funds paid under an invalid order, but the

court held because of the public interest that it would not order restitution of the funds until the Secretary had issued a valid order.

In *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, the patent owner licensed patented machines with a tying clause requiring the purchase of salt from the patent owner, and the court held this was such a restraint as to prevent enforcement of the patent even against a direct infringer. However, *in the present case the license agreement between the patent owner and Honeywell contains no such restriction.*

In *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173, the patent had previously been held invalid in a different circuit between different parties. The Sola Electric Co. did not control that suit as did Mercoid in *Smith* v. *Mid-Continent*, 106 F. (2) 622. Sola Electric had entered into a license agreement under the patent in which it agreed not to contest the validity of the patent. The license agreement contained price-fixing stipulations which this Court considered to be in conflict with the Sherman Act and therefore the Court held that this estoppel created by the parties would not apply. Inasmuch as the Sola case does not involve the question of *res adjudicata* and because the whole doctrine of *res adjudicata* is in itself a matter of public policy, it is not believed that this case should prevent recovery by Mid-Continent.

As we read the opinion, we take it that if the Court had felt there was no public interest involved it would have held that the doctrine of *res adjudicata* applied in Mid-Continent's favor and, hence, the case of *Cromwell* v. *County of Sac*, 94 U. S. 351, and other cases cited in connection with the question of whether or not *res adjudicata* affected the counterclaim need not be considered. We might

point out, however, that the case of *Cromwell* v. *County of Sac*, *supra*, is not controlling on the main issue because in that case an action was brought to recover on certain bonds which carried interest coupons maturing at different times. The defense was that the bonds were fraudulently issued and in the first case Cromwell failed to show that he was a *bona fide* purchaser for value before maturity. However, the court said that was not *res adjudicata* in the second case because each coupon having a different maturity date was regarded as a separate cause of action and if Cromweli could show that he was a *bona fide* purchaser for value as to other coupons later sued upon he might recover. On the other hand, in the present case the issue of the enforceability of the patent was a general issue which Mercoid could have and should have raised in the Smith suit and which, if raised in that suit, assuming that this Court had taken jurisdiction and had given its same opinion, would have terminated this litigation five years ago. To set aside the doctrine of *res adjudicata* permits Mercoid to continue almost endless litigation and thereby avoid the whole purpose of the doctrine.

No decision cited by the Court appears to be in point on the proposition that the public interest would prevail over the doctrine of *res adjudicata*; nor have we found any case where the public interest was of so little moment as the present case in which any rule of public interest has caused the Court to disregard the application of the doctrine of *res adjudicata*. In the cases where this doctrine is set aside and relief denied, the case has usually been one not only in which public interest was involved but also the question of moral wrong, such as contracts to marry.

Third Ground.

The Counterclaim.

The Court has apparently remanded the questions involved in the counterclaim to the lower court for further action in spite of the fact that the District Court has taken full pecuniary and quantitative evidence on the question of Petitioner's claimed damages. There is some suggestion in the opinion that under the new rules a jury trial might be had and specific rules have been cited, including Rule 38 relating to the waiver of a jury trial if timely demand has not been made. It would appear that this rule would now preclude a jury trial because there has been no demand within ten days after the service of the last pleading and the case has already been fully tried on this issue, with an express finding by the District Court that there was no damage. In view of this original finding by the District Court, the question of the amount of damage to be determined by a jury is a moot question. If it was the intention of the decision to point out that a trial by jury had been waived and therefore the case was closed, it is believed that the decision should have said so, because otherwise the District Court may give the decision some different interpretation with the result that the whole matter will be re-opened.

If any right to recover by Mercoid under the counterclaim has not been foreclosed for the reasons already stated, it becomes important in view of the holding in this case to call to the Court's attention that the patent notices used by Mercoid on its advertising are very similar to those employed by Honeywell. If such notices are in restraint of trade, as the opinion would seem to indicate, or they are otherwise a proper defense for Mercoid, then it would seem that they are also a proper defense for Mid-

Continent against Mercoid's counterclaim. The notices particularly referred to read as follows:

> "Controls shown in this bulletin are covered by patents numbers 1,521,638, 1,598,874, 1,640,869, 1,644,935, 1,658,013, 1,687,842, 1,705,989, 1,734,015, 1,734,016, 1,752,957, 1,757,436, 1,817,634, 1,834,288; others pending.
>
> "'**The right to use, for domestic or industrial heating, the oil burner system covered by patent No. 1,473,120 is granted ONLY* when MERCOID* pressure or low water controls are used in connection therewith.**" **(R. 292, 486. Plf. Ex. 21.)**

Mercoid throughout this case has emphasized substantially the same language in Honeywell's advertising. In view of the Court's decision in *The Mercoid Corporation* v. *Minneapolis-Honeywell Regulator*, cases Nos. 58-59, decided on the same day as this case, it would appear to make no difference so far as this advertising is concerned whether the advertiser owned the patent himself or took a license under it. Certainly, if this type of advertising constitutes a misuse of the patent or an improper method of doing business, the defense applies against Mercoid's counterclaim and it is believed this Court could properly have disposed of the whole case, or at least should have instructed the District Court to consider this fact.

Fourth Ground.

The Incompatibility of the Decision With the Doctrine of Contributory Tort Feasors as Applied to Other Phases of the Law.

At the oral hearing in this case, brief mention was made of the doctrine of joint or contributory tort feasors but little has been said about it in the briefs of the parties. The difficulty with all of the cases on this question, beginning

* (Emphasis ours.)

with the Carbice case (*Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27) has been that the court never "got" to the question of contributory infringement first. It always first decided that there was an improper method of doing business on the part of the plaintiff and therefore it was unnecessary to consider contributory infringement. As a result, the whole doctrine of contributory or joint tort feasors as applied generally in the law of torts has recently been disregarded in patent cases. This doctrine is stated in the *Restatement of Torts*, Volume IV, Chapter 44, § 876 (b) (1939) under the heading "Contributory Tort Feasors" as follows:

> "For harm resulting to a third person from the tortious conduct of another, a person is liable if he
>
> * * *
>
> **(b) knows that the other's conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself,** * * *"

If, in considering the Carbice case, this Court had gotten to the question of contributory infringement first and had considered it on the basis of the foregoing rule for contributory tort feasors, it is believed that the Court would have decided that there was no contributory infringement because the mere selling of a staple commodity, such as dry ice, was not "substantial assistance or encouragement" as to make the seller a contributory tort feasor even though he had knowledge that the dry ice was going to be used in a patented package. The same would hold true, we believe, for the sale of asphalt emulsions in *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458.

If the court had so applied the doctrine of joint tort feasors it would have been unnecessary to consider whether or not there was a misuse of the patent in some other way which might have violated the Anti-Trust Laws.

In these cases we do not see that there was such a restraint on trade as would have violated the Anti-Trust Laws. About the most that could be said was that the patentee had misinterpreted the scope of the doctrine of contributory tort feasors.

In the Morton Salt case, *Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488, the question of contributory infringement was not really presented. There the question was whether or not the lease of machines with the requirement that the lessee purchase salt from the seller was a restraint of trade. The salt itself was entirely outside the claims of the patent and, hence, the case was in the same general category as *Motion Picture Co.* v. *Universal Film Co.*, 243 U. S. 502, and other cases involving tying clauses. The court did not decide whether there was a violation of the Anti-Trust Laws.

The case of *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495, was a case in which the Court should have gotten to the question of contributory infringement, but in that case there was also an additional question of a restraint or tying clause in the license agreement.*

In the present case, on the other hand, the patentee is not in the business either of manufacturing control instruments or of installing systems containing instruments especially designed for those systems. The patent license agreement given by the patent owner, Mid-Continent, to the licensee, Honeywell, contains no price restrictions, no tying clauses, no restraints, and only the usual clauses with respect to notice, royalty, and the like. The patent owner, Mid-Continent, reserved for itself the right to bring suit against infringers but this reservation would not appear to be a restraint. Mid-Continent also notified the trade at

* The petitioner and its licensees have agreed that only the petitioner should be permitted to sell the non-solvent second coat and the so-called "Bostwick second coat."

a very early date in order that it might be able to recover under the patent in case it should bring suit.

If we look to the definition of a contributory tort feasor as noted previously, we find Mercoid falls within this definition because Mercoid sells a special device which is admittedly especially adapted and designed to bring about an infringement of a system of the type covered by the Cross patent and in selling these devices Mercoid supplies *wiring diagrams* to the customer or dealer showing him exactly how to install the system. This is important because these devices have to be installed in a certain relationship with the other elements of the system. We believe that what Mercoid does constitutes "substantial assistance or encouragement" and there can be no question that in doing this Mercoid knows it will bring about an infringement of the Cross patent. Mercoid refrains from installing these systems itself and thereby is able to accomplish indirectly what it could not do directly.

Regardless of how strictly the Patent Statutes are construed, it is difficult to see why the general rules of contributory tort feasors should not be applicable in making such construction.

Title 28, § 41, U. S. C. provides the District Courts shall have original jurisdiction as follows:

> "Seventh. Of all suits at law or in equity arising under the patent, the copyright and the trade mark laws."

Other sections of the law specifically refer to infringement suits, and Title 35, § 67, U. S. C. provides for damages for the infringement of patents. Title 35, § 70, U. S. C. provides,

> "The several courts vested with jurisdiction of cases arising under the patent laws shall have power to grant injunctions according to the course and principles of

courts of equity, to prevent the violation of any rights secured by the patent, on such terms as the court may deem reasonable;"

It would seem that if *the course and principles of courts of equity* are to be followed, it should be possible to enjoin indirect infringement as well as a direct infringement and that the expression "rights secured by the patent" when construed in the light that the course and principles of courts of equity are to be followed must be considered to cover not only injunctions against direct infringement but also injunctions against indirect infringement. The Court did not say that an action for contributory infringement no longer existed. Nevertheless, the patent statutes have been so strictly construed in this case that as a practical matter anyone who brings an action for contributory infringement will be held to be misusing his patent because he is suing someone for selling less than the whole of the patented claim and this, it is said, is a restraint of trade.

We have argued previously that *Leeds & Catlin Co.* v. *Victor Talking Machine Co.* (No. 2) 213 U. S. 325, stood for the proposition that an action for contributory infringement would lie against one who sells less than the whole of the patented combination, and we take no issue with the court in overruling this case because there the Victor Talking Machine Company sold the machine upon which the records were to be played and we believe it was an implied condition of that sale that the purchaser could buy other records to be used on the machine for much the same reasons that one may buy replacement parts. Furthermore, there was evidence to the effect that there were other machines upon which such records could be used. However, that is not this case because here the indirect infringer makes and sells an element especially designed for the purpose of bringing about an installation which infringes the patent—not a replacement or repair part—

and not only sells that element but supplies the purchaser with *wiring diagrams* showing him how to install the element so that he cannot fail to bring about an infringement. Certainly it would seem that this is *substantial aid or encouragement* and the line of distinction between the direct and indirect infringer is so finely drawn as to be almost non-existent. Thus, if the dealer to whom the Mercoid devices were sold and who installs them were an agent instead of an independent contractor the infringement would be a direct infringement.

The only profit derived by the patent owner is financial in the form of royalties for the use of the patent. The patent owner is not engaged in the sale of the combination, although its predecessor formerly was so engaged.

The doctrine of contributory tort feasors is a sound doctrine. It has been applied in connection with third party interference with contracts, as well as in trade-mark infringement cases. In this connection attention is invited to the *Restatement of Torts*, Chapter 35, § 738 (1939), entitled "Inducing or Aiding One's Purchasers to Infringe on ReSale" and reading as follows:

> "One who induces or aids persons who purchase goods directly or indirectly from him to market them in such a manner as to infringe another's trade-mark or trade name infringes it himself."

If such general rules apply to trade-mark litigation, it is difficult to see why they should not apply to patent litigation. Some may say that patents are purely statutory, whereas trade-marks are founded on the common law, but the statutes relating to patent and trade-mark infringements are similar in many respects and it is believed, as previously stated, that some effect must be given in the patent statutes to the requirement that litigation be conducted according to *the course and principles of courts of equity*.

If there is such a thing as contributory infringement or a contributory tort feasor or an indirect infringer, then it is believed to follow that the patentee should have the right to enjoin such infringers or to waive a cause of action against them or their customers by granting them a license. Also, it would seem to follow that the granting of such a license could not therefore be considered to be a restraint on trade because to hold that a waiver were a restraint would be inconsistent.

We feel that the questions raised here are of such public importance as to require thorough reargument and reconsideration.

MID-CONTINENT INVESTMENT COMPANY,
By RICHARD L. JOHNSTON,
Attorney for Mid-Continent Investment Company,
135 South La Salle Street,
Chicago, Illinois.

Of Counsel:
RICHARD SPENCER,
LLOYD C. ROOT,
CASPER W. OOMS.

IN THE

Supreme Court of the United States

OCTOBER TERM, A. D. 1943.

Nos. 54, 55

THE MERCOID CORPORATION,
Petitioner,

vs.

MID-CONTINENT INVESTMENT CO., ET AL.,
Respondents.

MOTION FOR ORDER TO STAY MANDATE.

Comes now Mid-Continent Investment Company, one of the Respondents, and respectfully states to the Court that there is filed herewith a Petition for Rehearing. When the Mandate goes down, the Respondents must make substantial changes in business relations.

Respondent, Mid-Continent, accordingly moves for an Order Staying the Mandate until the Petition for Rehearing is ruled upon.

This Motion is made in good faith and not for purposes of delay.

Respectfully,

MID-CONTINENT INVESTMENT COMPANY,
Respondent,
By RICHARD L. JOHNSTON,
Its Attorney.

RICHARD SPENCER,
LLOYD C. ROOT,
CASPER W. OOMS,
Of Counsel.

January 25, 1944.

Acceptance of Service.

Service of the foregoing Petition, Brief and Motion, and receipt of copies thereof, acknowledged this ..... day of January, 1944.

.....
Attorney for Petitioner.

SUPREME COURT OF THE UNITED STATES.

Nos. 54 and 55.—October Term, 1943.

The Mercoid Corporation, Petitioner, 54 *vs.* Mid-Continent Investment Company and Minneapolis-Honeywell Regulator Company.	On Writs of Certiorari to the United States Circuit Court of Appeals for the Seventh Circuit.
The Mercoid Corporation, Petitioner, 55 *vs.* Mid-Continent Investment Company and Minneapolis-Honeywell Regulator Company.	

[January 3, 1944.]

Mr. Justice Douglas delivered the opinion of the Court.

This suit was brought by respondent, Mid-Continent Investment Co., against petitioner, Mercoid Corporation, for contributory infringement of the Cross combination patent No. 1,758,146, issued May 13, 1930, for a domestic heating system. Mercoid in its answer denied contributory infringement and alleged that Mid-Continent should be barred from relief because it was seeking to extend the grant of the patent to unpatented devices. The alleged improper use of the patent was also the basis of a counterclaim filed by Mercoid in which it was averred that Mid-Continent and its exclusive licensee under the patent, respondent Minneapolis-Honeywell Regulator Co., who was brought in as a party plaintiff, had conspired to expand the monopoly of the patent in violation of the anti-trust laws. Mercoid asked not only for declaratory relief but for an accounting and treble damages as well. The District Court found that Mercoid did not contribute to the infringement of the Cross patent; that respondents had conspired to establish a monopoly in an unpatented appliance beyond the scope of the patent and in violation of the anti-trust laws; and that respondents were in no position to maintain the suit because of that conspiracy. Mercoid was granted an injunction but its prayer for damages was denied. The Circuit Court of Appeals affirmed the judgment of the District Court in disallowing damages under the counterclaim. In all other respects

if reversed that judgment, holding that Mercoid was guilty of contributory infringement under the rule of *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, No. 2, 213 U. S. 325, and that *Carbice Corp.* v. *American Patents Corp.*, 283 U. S. 27 and *Leitch Mfg. Co.* v. *Barber Co.*, 302 U. S. 458, did not bar recovery as the District Court had thought. 133 F. 2d 803. The case is here on a petition for a writ of certiorari which we granted because of the public importance of the questions presented.

The controversy centers around the license agreement between Mid-Continent and Minneapolis-Honeywell. By that agreement Minneapolis-Honeywell received an exclusive license to make, use, sell, and to sub-license others to make, use, and sell the Cross combination patent No. 1,758,146. The royalty payments under the license, however, were to be based only upon sales of the combustion stoker switch which was an element of the combination patent embodied in the patented article but which was itself unpatented. The license agreement was construed by the Circuit Court of Appeals to mean that the royalty payments were to be made only on switches used for fire maintenance purposes under the Cross patent. And Minneapolis-Honeywell in advertising its stoker switches stated that the "right to use" the Cross system patent was "only granted to the user" when the stoker switches of Minneapolis-Honeywell were purchased from it and used in the system. Neither Mid-Continent nor Minneapolis-Honeywell manufactures or installs heating systems under the Cross combination patent. There was ample evidence to sustain the findings of the District Court that respondents endeavored to use the license agreement so as to prevent the sale or use of combustion stoker switches in these heating systems unless they were the switches made by Minneapolis-Honeywell and purchased from it or its sub-licensees.

The patent is a combination or system patent, covering a domestic heating system which comprises three main elements—a motor driven stoker for feeding fuel to the combustion chamber of a furnace, a room thermostat for controlling the feeding of fuel, and a combustion stoker switch to prevent extinguishment of the fire. The room thermostat functions to supply, or discontinue the supply of, heat by closing or then opening the circuit to the stoker motor at the required temperatures. The combustion stoker switch, or holdfire control, is responsive to a low temperature in the furnace causing the stoker to feed fuel so as to prevent the furnace fire from going out. The control of the combustion stoker

switch is said to be effective in mild weather when the room thermostat may not call for heat for a considerable period.

Mercoid, like Mid-Continent and Minneapolis-Honeywell, does not sell or install the Cross heating system. But the Circuit Court of Appeals found that Mercoid manufactured and sold combustion stoker switches for use in the Cross combination patent. And we may assume that Mercoid did not act innocently. Indeed the Circuit Court of Appeals said that it could find no use for the accused devices other than in the Cross combination patent. And it assumed, as was held in *Smith* v. *Mid-Continent Inv. Co* 106 F. 2d 622, that the Cross patent was valid. But though we assume the validity of the patent and accept fully the findings of the Circuit Court of Appeals, we think the judgment below should be reversed.

Ever since *Henry* v. *A. B. Dick Co.*, 224 U. S. 1, was overruled by *Motion Picture Co.* v. *Universal Film Co.*, 243 U. S. 502, this Court has consistently held that the owner of a patent may not employ it to secure a limited monopoly of an unpatented material used in applying the invention. *Carbice Corp.* v. *American Patents Corp., supra; Leitch Mfg. Co.* v. *Barber Co., supra; Morton Salt Co.* v. *G. S. Suppiger Co.*, 314 U. S. 488; *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495. In those cases both direct and contributory infringement suits were disallowed on a showing that the owner of the patent was using it "as the effective means of restraining competition with its sale of an unpatented article." *Morton Salt Co.* v. *G. S. Suppiger Co., supra*, p. 490. The Court has repeatedly held that to allow such suits would be to extend the aid of a court of equity in expanding the patent beyond the legitimate scope of its monopoly. It is true that those cases involved the use of the patent for a machine or process to secure a partial monopoly in supplies consumed in its operation or unpatented materials employed in it. But we can see no difference in principle where the unpatented material or device is itself an integral part of the structure embodying the patent.

The grant of a patent is the grant of a special privilege "to promote the Progress of Science and useful Arts." Const., Art. I, § 8. It carries, of course, a right to be free from competition in the practice of the invention. But the limits of the patent are narrowly and strictly confined to the precise terms of the grant. *Ethyl Gasoline Corp.* v. *United States*, 309 U. S. 436, 456; *United States* v. *Univis Lens Co.*, 316 U. S. 241, 251. It is the public interest which is dominant in the patent system. *Pennock* v.

Dialogue, 2 Pet. 1; *Kendall* v. *Winsor*, 21 How. 322, 329; *Adams* v. *Burke*, 17 Wall. 453; *Motion Picture Co.* v. *Universal Film Co.*, *supra*, pp. 510-511; *Morton Salt Co.* v. *G. S. Suppiger Co.*, *supra*; *United States* v. *Masonite Corp.*, 316 U. S. 265, 278. It is the protection of the public in a system of free enterprise which alike nullifies a patent where any part of it is invalid (*Marconi Wireless Co.* v. *United States*, 320 U. S. 1, 58; and see *General Electric Co.* v. *Wabash Corp.*, 304 U. S. 364, 372) and denies to the patentee after issuance the power to use it in such a way as to acquire a monopoly which is not plainly within the terms of the grant. The necessities or convenience of the patentee do not justify any use of the monopoly of the patent to create another monopoly. The fact that the patentee has the power to refuse a license does not enable him to enlarge the monopoly of the patent by the expedient of attaching conditions to its use. *United States* v. *Masonite Corp.*, *supra*, p. 277. The method by which the monopoly is sought to be extended is immaterial. *United States* v. *Univis Lens Co.*, *supra*, pp. 251-252. The patent is a privilege. But it is a privilege which is conditioned by a public purpose. It results from invention and is limited to the invention which it defines. When the patentee ties something else to his invention, he acts only by virtue of his right as the owner of property to make contracts concerning it and not otherwise. He then is subject to all the limitations upon that right which the general law imposes upon such contracts. The contract is not saved by anything in the patent laws because it relates to the invention. If it were, the mere act of the patentee could make the distinctive claim of the patent attach to something which does not possess the quality of invention. Then the patent would be diverted from its statutory purpose and become a ready instrument for economic control in domains where the anti-trust acts or other laws not the patent statutes define the public policy.

The instant case is a graphic illustration of the evils of an expansion of the patent monopoly by private engagements. The patent in question embraces furnace assemblies which neither the patentee nor the licensee makes or vends. The struggle is not over a combination patent and the right to make or vend it. The contest is solely over unpatented wares which go into the patented product. Respondents point out that the royalties under the license are measured by the number of unpatented controls which are sold and that no royalty is paid unless a furnace covered

by the patent has been installed. But the fact remains that the competition which is sought to be controlled is not competition in the sale of the patented assembly but merely competition in the sale of the unpatented thermostatic controls. The patent is employed to protect the market for a device on which no patent has been granted. But for the patent such restraint on trade would plainly run afoul of the anti-trust laws. If the restraint is lawful because of the patent, the patent will have been expanded by contract. That on which no patent could be obtained would be as effectively protected as if a patent had been issued. Private business would function as its own patent office and impose its own law upon its licensees. It would obtain by contract what letters patent alone may grant. Such a vast power "to multiply monopolies" at the will of the patentee (Chief Justice White dissenting in *Henry* v. *A. B. Dick Co.*, *supra*, p. 53) would carve out exceptions to the anti-trust laws which Congress has not sanctioned. Mr. Justice Brandeis, speaking for the Court, stated in the *Carbice* case that "Control over the supply of such unpatented material is beyond the scope of the patentee's monopoly; and this limitation, inherent in the patent grant, is not dependent upon the peculiar function or character of the unpatented material or on the way in which it is used." 283 U. S. p. 33. We now add that it makes no difference that the unpatented device is part of the patented whole.

That result may not be obviated in the present case by calling the combustion stoker switch the "heart of the invention" or the "advance in the art". The patent is for a combination only. Since none of the separate elements of the combination is claimed as the invention, none of them when dealt with separately is protected by the patent monopoly. *Leeds & Catlin* v. *Victor Talking Machine Co.* (No. 1), 213 U. S. 301, 318. Whether the parts are new or old, the combination is the invention and it is distinct from any of them. See *Schumacher* v. *Cornell*, 96 U. S. 549, 554; *Rowell* v. *Lindsay*, 113 U. S. 97, 101. If a limited monopoly over the combustion stoker switch were allowed, it would not be a monopoly accorded inventive genius by the patent laws but a monopoly born of a commercial desire to avoid the rigors of competition fostered by the anti-trust laws. If such an expansion of the patent monopoly could be effected by contract, the integrity of the patent system would be seriously compromised.

Leeds & Catlin v. *Victor Talking Machine Co.* (No. 2), *supra*, is authority for the conclusion that he who sells an unpatented part

of a combination patent for use in the assembled machine may be guilty of contributory infringement. The protection which the Court in that case extended to the phonograph record, which was an unpatented part of the patented phonograph, is in substance inconsistent with the view which we have expressed in this case. The rule of the *Leeds & Catlin* case (No. 2) accordingly must no longer prevail against the defense[1] that a combination patent is being used to protect an unpatented part from competition. That result obtains here though we assume for the purposes of this case that Mercoid was a contributory infringer and that respondents could have enjoined the infringement had they not misused the patent for the purpose of monopolizing unpatented material. Inasmuch as their misuse of the patent would have precluded them from enjoining a direct infringement (*Morton Salt Co.* v. *G. S. Suppiger Co.*, *supra*) they cannot stand in any better position with respect to a contributory infringer. Where there is a collision between the principle of the *Carbice* case and the conventional rules governing either direct or contributory infringement, the former prevails.

The result of this decision, together with those which have preceded it, is to limit substantially the doctrine of contributory infringement. What residuum may be left we need not stop to consider. It is sufficient to say that in whatever posture the issue may be tendered courts of equity will withhold relief where the patentee and those claiming under him are using the patent privilege contrary to the public interest. *Morton Salt Co.* v. *G. S. Suppiger Co.*, *supra*, p. 492.

There remain the questions of *res judicata* and Mercoid's right to relief under the counterclaim.

Respondents point out that Mercoid knew of Mid-Continent's actions and the license agreement prior to 1935 when the earlier suit involving the validity of the Cross patent (*Smith* v. *Mid-Continent Inv. Co.*, *supra*) was instituted. They state, and the District Court found, that although Mercoid was not made a party to the earlier suit it provided the defense. The conten-

[1] The Court in that case did not refer to the doctrine of misuse of a patent. That doctrine indeed was developed in this Court some years later as shown by the *Motion Picture* case. The record in the *Leeds & Catlin* case indicates that the point which we deem crucial in the instant case was adverted to only obliquely in the briefs. The Court was chiefly concerned with the proposition that a substitution or renewal of an unpatented element of a combination patent, as distinguished from its repair, is a "reconstruction" of the combination. 213 U. S. pp. 333, 336.

tion therefore is that the doctrine of *res judicata* binds Mercoid as respects issues which were actually litigated and all issues which might have been raised in that earlier suit. And it is pointed out that among the defenses which might have been interposed were those relating to the misuse of the patent and the violations of the anti-trust laws. It is argued, moreover, that although Minneapolis Honeywell was not a party to the earlier litigation, it is entitled to the benefit of the judgment since its title or claim derives from the patentee. We do not stop to examine the premises on which the argument is based; for though we assume that they are correct, it does not follow that the doctrine of *res judicata* forecloses the defense which is tendered.

Respondents ask the equity court for an injunction against infringement by petitioner of the patent in question and for an accounting. Should such a decree be entered, the Court would be placing its imprimatur on a scheme which involves a misuse of the patent privilege and a violation of the anti-trust laws. It would aid in the consummation of a conspiracy to expand a patent beyond its legitimate scope. But patentees and licensees cannot secure aid from the court to bring such an event to pass, "unless it is in accordance with policy to grant that help." *Beasley* v. *Texas & Pacific Ry. Co.*, 191 U. S. 492, 497. And the determination of that policy is not "at the mercy" of the parties (*id.*, p. 498) nor dependent on the usual rules governing the settlement of private litigation. "Courts of equity may, and frequently do, go much farther both to give and withhold relief in furtherance of the public interest than they are accustomed to go when only private interests are involved." *Virginian Ry. Co.* v. *System Federation No. 40*, 300 U. S. 515, 552. "Where an important public interest would be prejudiced," the reasons for denying injunctive relief "may be compelling." *Harrisonville* v. *Dickey Clay Co.*, 289 U. S. 334, 338. And see *United States* v. *Morgan*, 307 U. S. 183, 194. That is the principle which has led this Court in the past to withhold aid from a patentee in suits for either direct or indirect infringement where the patent was being misused. *Morton Salt Co.* v. *G. S. Suppiger Co.*, *supra*, p. 492. That principle is controlling here. The parties cannot foreclose the courts from the exercise of that discretion by the failure to interpose the same defense in an earlier litigation. Cf. *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173.

What we have just said does not, of course, dispose of Mercoid's counterclaim for damages. That was based on § 4 of the Clayton

Act which provides: "Any person who shall be injured in his business or property by reason of anything forbidden in the anti-trust laws may sue therefor in any district court of the United States in the district in which the defendant resides or is found or has an agent, without respect to the amount in controversy, and shall recover threefold the damages by him sustained, and the cost of suit, including a reasonable attorney's fee." 38 Stat. 731, 15 U. S. C. § 15. Though Mercoid were barred in the present case from asserting any defense which might have been interposed in the earlier litigation, it would not follow that its counterclaim for damages would likewise be barred. That claim for damages is more than a defense; it is a separate statutory cause of action. The fact that it might have been asserted as a counterclaim in the prior suit by reason of Rule 13(b) of the Rules of Civil Procedure does not mean that the failure to do so renders the prior judgment *res judicata* as respects it. *Virginia-Carolina Chemical Co.* v. *Kirven*, 215 U. S. 252; *Larsen* v. *Northland Transportation Co.*, 292 U. S. 20. And see Scott, Collateral Estoppel by Judgment, 56 Harv. L. Rev. 1, 26-28; Restatement of the Law of Judgments, § 58. The case is then governed by the principle that where the second cause of action between the parties is upon a different claim the prior judgment is *res judicata* not as to issues which might have been tendered but "only as to those matters in issue or points controverted, upon the determination of which the finding or verdict was rendered." *Cromwell* v. *County of Sac*, 94 U. S. 351, 353. And see *Russell* v. *Place*, 94 U. S. 606. It was held in *Fleitmann* v. *Welsbach Street Lighting Co.*, 240 U. S. 27, that the statutory liability in question may be enforced only through the verdict of a jury in a court of common law. But there is no reason under the Rules of Civil Procedure why that may not be done under this counterclaim. Rules 12(h), 13, 38, 42(b). Whether the evidence will show damages within the rule of *Story Parchment Co.* v. *Paterson Co.*, 282 U. S. 555, is of course a distinct question on which we intimate no opinion.

We have mentioned the statutory claim for damages because both the District Court and the Circuit Court of Appeals denied that relief. But since the cause must be remanded to the District Court, we think the question whether *res judicata* bars any other part of the relief sought by the counterclaim may appropriately be reserved for it.

Reversed.

Opinion of Mr. Justice BLACK.

Although I entirely agree with the Court's judgments and the grounds on which they rest, I find it necessary to add a few remarks in order that silence may not be understood as acquiescence in the views expressed in the dissenting opinion of Mr. Justice FRANKFURTER. There is no inclination on my part to challenge the wisdom of the established practice whereby we do not discuss issues in the abstract. As I see it, that salutary practice has no application to the Court's discussion of contributory infringement in the present case. The court below rested its decision on what it considered to be a doctrine of contributory infringement, and counsel for respondent have discussed and relied upon it here. The Court's opinion demonstrates that the subject cannot be ignored since at least one element of the "complicated idea" which is "compressed" in the judicially created "formula" of contributory infringement clashes head-on with elements of the *Carbice* doctrine.

But my disagreement with this dissenting opinion runs much deeper than the mere question of whether the Court has here discussed the so-called formula of contributory infringement at an improper or inopportune time. It seems to me that the judicial error of discussing abstract questions is slight compared to the error of interpreting legislative enactments on the basis of a court's preconceived views on "morals" and "ethics."

If there is such a wrong as contributory infringement, it must have been created by the federal patent statutes. Since they make no direct mention of such a wrong, its existence could only be rested on inferences as to Congressional intent. In searching for Congressional intent we ordinarily look to such sources as statutory language and legislative history. The dissent in question mentions neither of these guides; in fact, it mentions no statute at all. Instead, the chief reliance appears to be upon the law of forts, a quotation from a decision of a lower federal court which held that no infringement was shown, and the writer's personal views on "morals" and "ethics." Not one of these references, unless it be the latter, throws enough light on the patent statutes to justify its use in construing these statutes as creating, in addition to a right of recovery for infringement, a more expansive right judicially characterized as a "formula" of "contributory infringement." And for judges to rest their interpretation

of statutes on nothing but their own conceptions of "morals" and "ethics" is, to say the least, dangerous business.

If the present case compelled consideration of the morals and ethics of contributory infringement, I should be most reluctant to conclude that the scales of moral value are weighted against the right of producers to sell their unpatented goods in a free market. At least since Adam Smith wrote, unhampered competition has not generally been considered immoral. While there have been objections to the Sherman Anti-Trust Act, few if any of the objectors have questioned its morality.

It has long been recognized that a socially undesirable practice may seek acceptance under the guise of conventional moral symbols. And repeated judicial assertion that a bad practice is hallowed by morals may, if unchallenged, help it to receive the acceptance which it seeks. With this in mind, I wish to make explicit my protest against talking about the judicial doctrine of "contributory infringement" as though it were entitled to the same respect as a universally recognized moral truth.

Mr. Justice MURPHY concurs in this opinion.

Mr. Justice ROBERTS.

First. I agree that the patentee may not extend his exclusive statutory right to make, use, and vend by forbidding one practicing the invention from using in such practice an unpatented article susceptible to such use. He may not obtain an injunction against such user for infringement. This is a pure question of the extent of the right of exclusion conferred by the patent statute.[1] It nowise involves the antitrust acts. A patent is property and it may, like other property, be so used as to violate those acts,[2] but that is not this case.

Second. I think the opinion may create confusion respecting contributory infringement. The court below, thinking the doctrine of the *Carbice* and *Leitch* cases inapplicable, necessarily concluded that the user of the system infringed the patent if he used

[1] Carbice Corp. v. American Patents Corp., 283 U. S. 27; Leitch Mfg. Co. v. Barber Co., 302 U. S. 458.

[2] Standard Sanitary Mfg. Co. v. United States, 226 U. S. 20; United States v. Masonite Corp., 316 U. S. 265.

any thermostat other than that manufactured by respondent's exclusive licensee. But those cases show that so to do would not constitute infringement of the patent. And if the purchaser and user could not be amerced as an infringer certainly one who sold to him with the purpose that he should use the thermostat cannot be amerced for contributing to a non-existent infringement. One may disagree with the decision of this court in *Leeds & Catlin Co.* v. *Victor Talking Machine Co.*, 213 U. S. 325, that the substitution by the user of the talking machine of a record not made by the licensor constituted an infringement of the patent, but, accepting the premise that such conduct was infringement, one who participated in it by knowingly and intentionally selling records to the user became an aider and participant in the infringement and, as such, liable to the owner of the patent. I cannot believe that the court's opinion is intended to lay down a different principle.

Third. I disagree with the application of the rule *res judicata* to one phase of the litigation. Mercoid defended an earlier suit brought by the respondent against a user of the patented combination who bought and installed as part of the system a Mercoid thermostat. Confessedly the defense now asserted under the *Carbice* doctrine was available, was not made, and judgment of validity and infringement was entered.

I fail to see what great question of public interest or public policy is violated by holding that one to whom a defense was available, in rebuttal of a claim broader than was warranted by the statute on which the plaintiff's right was founded, is bound by the judgment rendered. That judgment stands unreversed. The defense, if made, as it could have been, would have benefited the defendant in its pocketbook. We are now told that a misconstruction of the patent law by a licensor is so violent and flagrant a flouting of the public interest that a court of equity must hold its hand for the benefit of a defendant whenever he chooses to invoke that interest for his private benefit, though he has failed to make the defense in an earlier litigation and stands of record an infringer. If a wrong against the public has been perpetrated it may be redressed at the instance of the representatives of government.

I can only speculate as to the results of such a holding. If applicable here, I cannot see why the principle should not apply to every suit or action based upon, or arising out of, statutory provisions, and to every defense bottomed on public policy, whether

expressed in statute or not. Surely the defendant in the earlier suit, after the decree against him became final, could not have defended a charge of contempt for disobeying the decree on the ground now asserted. And if the judgment concluded him thus directly, I cannot agree that he may now disregard it or collaterally attack it. And confessedly Mercoid stands in his shoes.[3]

I should affirm the judgment.

Mr. Justice REED joins in this opinion.

---

[3] Bryant Electric Co. v. Marshall, 169 Fed. 426; affirmed 185 Fed. 499. Compare Souffront v. La Compagnie, 217 U. S. 475. And see cases collected 139 A. L. R. 41.

Mr. Justice FRANKFURTER, dissenting.

The Court holds in effect that the owner of a patent who exacts, as the condition of a license, that unpatented materials used in connection with the invention shall be purchased only from the licensor cannot obtain relief from equity against one who supplies such unpatented materials even though the unpatented appliance was not for common use but was designedly adapted for the practice of the invention, but when so used did not involve an infringement of the patent. The decision is thus merely an appropriate application of what has come to be known as the doctrine in the *Carbice case*, 283 U. S. 27. In this view I concur.

But in the series of cases in which that doctrine has heretofore been applied (*Motion Picture Co.* v. *Universal Film Co.*, 243 U. S. 502; *Carbice Corp.* v. *Am. Patents Corp.*, *supra*; *Morton Salt Co.* v. *Suppiger Co.*, 314 U. S. 488; *B. B. Chemical Co.* v. *Ellis*, 314 U. S. 495), not once has this Court found it relevant to reject either explicitly or by indirection, another doctrine of the law, that of contributory infringement, nor has it seen fit to make animadversions upon it. This is so doubtless for the simple reason that appropriate occasions for relief against contributory infringement are unrelated to the circumstances which bring the *Carbice* doctrine into play. In a word, if there is no infringement of a patent there can be no contributory infringer.

Within its true limits the idea of contributory infringement was woven into the fabric of our law and has been part of it for

now more than seventy years. See Roberts, *Contributory Infringement of Patent Rights*, 12 Harv. L. Rev. 35, and e. g. *Thomson-Houston Electric Co.* v. *Ohio Brass Co.*, 80 F. 712. The doctrine has been put perhaps most simply by Judge Shepley: "Different parties may all infringe, by respectively making or selling, each of them, one of the elements of a patented combination, provided those separate elements are made for the purpose, and with the intent, of their being combined by a party having no right to combine them. But the mere manufacture of a separate element of a patented combination, unless such manufacture be proved to have been conducted for the purpose, and with the intent of aiding infringement, is not, in and of itself, infringement." *Saxe* v. *Hammond*, 1 Ban. & A 629, 632. So understood, the doctrine of contributory infringement is an expression both of law and morals. It is but one phase of a more comprehending doctrine of legal liability enforced by this Court both in civil and criminal cases. See, for instance, *Amer. Bank & Trust Co.* v. *Federal Bank*, 256 U. S. 350, and *Direct Sales Co.* v. *United States*, 319 U. S. 703. Indeed, the opinion in the *Carbice* case explicitly recognizes a proper scope for the doctrine of contributory infringement as a phase of the law of torts: "Infringement, whether direct or contributory, is essentially a tort, and implies invasion of some right of the patentee." *Carbice Corp.* v. *Am. Patents Corp.*, 283 U. S. 27, 33.

To be sure, the doctrine of contributory infringement may be misconceived and has been misapplied. That is the fate of all shorthand statements of complicated ideas, whether in law or in the natural sciences. But the misapplication of a formula into which a complicated idea is compressed and thereby mutilated is a poor excuse for rejecting the idea. It will be time enough to define the appropriate limits of the doctrine of contributory infringement when we are required to deal with the problem. Until then litigants and lower courts ought not to be embarrassed by gratuitous innuendoes against a principle of the law which, within its proper bounds, is accredited by legal history as well as ethics. The long and on the whole not unworthy history of our judicial administration admonishes us against expressing views on matters not before us. The history of this Court especially admonishes us against the evils of giving opinions not called for. See *e. g.* Hughes, *The Supreme Court of the United States*, p. 50, and 49 Harv. L. Rev.

68, 98. The duty of not going beyond the necessities of a case is not a lifeless technicality. The experience of centuries is behind the wisdom of not deciding, whether explicitly or by atmospheric pressure, matters that do not come to the Court with the impact of necessity.

For the reasons set forth by my brother ROBERTS, *res judicata* calls for affirmance.

Mr. Justice JACKSON, in dissent.

"A patent," said Mr. Justice Holmes, "is property carried to the highest degree of abstraction—a right *in rem* to exclude, without a physical object or content."[1] Here the patent covers a combination—a system—a sequence—which is said to be new, although every element and factor in it is old and unpatentable. Thus we have an abstract right in an abstruse relationship between things in which individually there is no right—a legal concept which either is very profound or almost unintelligible, I cannot be quite sure which.

Undoubtedly the man who first devised a thermostat to control the flow of electric energy gave something to the world. But one who merely carried it to a new location, or used two instead of one, or three instead of two, or used it to control current for a stoker motor rather than for a damper, did not do much that I would not expect of a good mechanic familiar with the instrument. But that question of validity is not here. I assume that this patent confers some rights and ask what they are.

Of course the abstract right to the "sequence" has little economic importance unless its monopoly comprehends not only the arrangement but some, at least, of its components. If the patentee may not exclude competitors from making and vending strategic unpatented elements such as the thermostat, adapted to use in the combination, the patented system is so vulnerable to competition as to be almost worthless. On the other hand, if he may prohibit such competition, his system patent gathers up into its monopoly devices long known to the art and hence not themselves subject to any patent.

---

[1] 1 Holmes-Pollock Letters, p. 53.

It is suggested that such a patent should protect the patentee at least against one who knowingly and intentionally builds a device for use in the combination and vends it for that purpose. That is what appears to have been done here. As to ethics, the parties seem to me as much on a parity as the pot and the kettle. But want of knowledge or innocent intent is not ordinarily available to diminish patent protection. I do not see how intent can make infringement of what otherwise is not. The less legal rights depend on someone's state of mind, the better.

The practical issue is whether we will leave such a combination patent with little value indeed or whether we will give it value by projecting its economic effects to elements not by themselves a part of its legal monopoly. In these circumstances I think we should protect the patent owner in the enjoyment of just what he has been granted—an abstract right in an abstruse combination—worth whatever such a totality may be worth. I see no constitutional or statutory authority for giving it additional value by bringing into its monopoly all or any of the unpatentable parts.

For these reasons I agree with the Court that no case of infringement could have been made out had the issue been raised when it was timely. But I agree with the views of the doctrine of *res adjudicata* expressed by Mr. Justice ROBERTS and for that reason join the dissent.